



FISCAL YEAR 2021

Consolidated Incentives Performance Report

As required by the Maryland Jobs Development Act

Economic Development Article § 2.5-109

Pursuant to: Economic Development § 2-123

Economic Development § 3-404(e)

Economic Development § 5-315

Economic Development § 5-419

Economic Development § 5-512(c)(4)

Economic Development § 5-555(h)

Economic Development § 6-307

Economic Development § 6-401

Economic Development § 6-706

State Finance and Procurement § 7-314(g)

Tax General § 10-721(g)(1)

Tax General § 10-725(h)(1)

Tax General § 10-730(e)

Tax General § 10-732(f)

Tax General §10-733

Tax General §10-735

Respectfully submitted to the General Assembly of Maryland by

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Larry Hogan, Governor | Boyd Rutherford, Lt. Governor

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Maryland Jobs Development Act Executive Summary

Fiscal Year 2021



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Background

The Maryland Department of Commerce offers many programs and services to assist businesses to create and retain jobs and to grow in Maryland. Recognizing the importance of measuring these programs, the Maryland General Assembly passed the 2013 Maryland Jobs Development Act, requiring Commerce to report annually by December 31 on certain finance programs and tax incentive programs administered by the Department during the prior fiscal year. The report reviews each program on how it is meeting the objectives of the Department of Commerce. Additionally, the report contains estimates on the number of jobs created; the number of jobs retained; the estimated amount of State revenue generated; and any additional information by each program and each recipient.¹

A full copy of the full report and related documents is located at:

<https://commerce.maryland.gov/fund/consolidated-incentives-performance-report-fy2021>

Incentives Overview

In Fiscal Year 2021, the Department issued a total of \$42.9 million in direct assistance and \$48.8 million in tax credits across 20 programs covered by this report. For each of these programs, Figure 1 on the next page shows how many companies received funding, the total value of any direct assistance or tax credits, the total project costs supported by Commerce funding, and, if reported, the number of direct jobs supported as a result of Commerce funding.

Data at the company level is provided in the full report, as well as through the Department's Finance Tracker tool. In total, there were 1,035 awards made. The Research and Development Tax Credit had the largest number of recipients, with 410. In total, 81 companies received incentives from multiple programs.

¹ The evaluation was conducted by the Department's Office of Research and Information Services based on the Department's Finance Tracker data and program reports for settled projects receiving incentives in FY 2021.



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Figure 1: Aggregate Program Activity in Fiscal Year 2021

Program	Recipients	Approved Grant/Loan Amount	Tax Credit Amount	Total Project Costs	Reported or Certified New and Retained Jobs
AEDTC	2		\$15,000,000		10,000 ²
Advantage MD (MEDAAF) - 2	10	\$5,215,000		\$310,613,380	2,252
Advantage MD (MEDAAF) - 3	1	\$100,000		\$1,798,000	25
BIITC	22		\$10,887,000		
Buy MD Cyber	32		\$346,473		
E-Nnovation	8	\$7,550,000			
ESCC Tax Credit	81		\$2,000,000		
Film	3		\$95,982	\$439,269	
HOVTC	4		\$7,200		4
JCTC	14		\$1,714,000		464
Military/Veteran Owned	2	\$75,000		\$195,000	18
MJM	18		\$1,277,382		330
MSBDFA	147	14,757,911		23,383,935	1,544
NIMBL	3	\$75,000		\$75,000	
One Maryland	1		\$5,000,000	\$9,645,170	67
PWQ	17	\$970,813		\$1,425,628	905
R&D Tax Credit	410		\$12,000,000		
SBRTC	1		\$2,104		
SMWOBA VLT	228	\$14,129,757		\$9,343,122	1,283
Wineries and Vineyards	31		\$464,200		
Total	1,035	\$42,873,481	\$48,794,341	\$356,918,504	16,892

As Figure 2 illustrates, recipients of incentives covered by this report spanned a wide range of industries. The industry with the most recipients was Professional, Scientific, and Technical Services which had 347 recipients. This industry sector covers many key sectors of Maryland's economy, including biotechnology, research, and cybersecurity. Manufacturing was also highly represented with 226 transactions in FY 21.

² Northrop Grumman Systems Corporation received applications in two calendar years during FY21. The total in this table is left at 10,000 jobs rather than 20,000 jobs to avoid potential issues with double counting.



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Figure 2: Aggregate Activity in Fiscal Year 2021 by Industry

Industry	Recipients	Approved Grant/Loan Amount	Tax Credit Amount	Total Project Costs	Reported or Certified New and Retained Jobs
Agriculture	10	\$50,000	\$60,496		
Mining	1	\$50,000		\$100,000	20
Utilities	1		\$3,765		
Construction	67	\$4,721,698	\$372,616	\$2,720,885	206
Manufacturing	227	\$4,657,767	\$29,933,446	\$83,261,635	11,956
Wholesale Trade	22	\$603,250	\$5,191,057	\$9,908,420	229
Retail Trade	39	\$3,008,238	\$28,380	\$58,899,832	315
Transportation and Warehousing	17	\$2,445,000	\$74,000	\$89,525,000	627
Information	59	\$1,820,000	\$1,453,896	\$9,697,649	701
Finance and Insurance	17	\$440,000	\$573,596	\$50,000	31
Real Estate	12	\$404,529	\$21,429	\$50,000	28
Professional, Scientific, and Technical Services	347	\$4,713,028	\$10,289,454	\$86,942,483	975
Management	6		\$196,303		
Administrative and Support and Waste Management	23	\$1,737,000	\$182,133	\$3,810,000	430
Educational Services	33	\$8,731,813	\$35,846	\$1,143,000	100
Health Care	47	\$2,788,900	\$238,215	\$1,975,350	479
Arts, Entertainment, and Recreation	17	\$918,100	\$1,298	\$603,950	65
Accommodation and Food Services	51	\$3,769,327	\$16,883	\$5,313,300	561
Other Services	39	\$2,014,829	\$121,528	\$2,917,000	169
Total	1,035	\$42,873,481	\$48,794,341	\$356,918,504	16,892

Evaluating Program Effectiveness

Program evaluation is one of the most vital steps in the economic development process. But it is also one of the most difficult because of the need for better indicators to measure outcomes. While jobs, wages and investment are the main metrics for many incentive programs, they are not necessarily the most appropriate for others. Community development, workforce and innovation/entrepreneurship programs require different measures to determine effectiveness.

For this report, program impacts are calculated in two ways:

1. How the program fits in with the Department's stated objectives as outlined in Economic Development Article §2.5–105 and



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2. An economic impact analysis.

How the program fits in with the Department's stated objectives is determined by comparing the Department's objectives with each program's purpose. The economic impact analysis is based off data reported to the Department (e.g., jobs or detailed spending records) or by the amount of assistance received.

Program Evaluation Limitations

Although the Department estimates of the economic and fiscal impacts of each program, this estimation comes with a number of limitations and it is important to stress that **impacts between programs should not be directly compared to each other**. This is due to a number of reasons, including:

- **Every program is designed to achieve different outcomes.** Each program administered by the Department is distinct (otherwise the Department would administer only a single incentive program) and, by design, targets a different part of Maryland's economic ecosystem. For example, the Job Creation Tax Cut (JCTC) encourages businesses to create new jobs in Maryland. The Partnership for Workforce Quality (PWQ) assists companies investing in employee training. JCTC is designed to increase the number of workers in Maryland and the PWQ is designed to upgrade existing worker's skills to improve productivity and business competitiveness. Comparing the two programs using a single metric (e.g., jobs or even tax revenue) does a disservice to both programs. This is even more true with programs that attempt to enhance critical sectors of Maryland's economy with a long-term focus such as the Cybersecurity Investor Incentive Tax Credit.
- **Programs are designed with different timelines.** Just as programs are designed to target different aspects of Maryland's economy, they are designed to work across different timeframes as well. For example, the One Maryland Tax Credit (OneMD) is designed to incentivize long-term investment in Maryland's economy and companies that participate in the program may carry their certified tax credits forward for ten years. The Research and Development (R&D) Tax Credit is designed to reward companies for increasing their R&D expenditures in a single year. Over time, increased R&D spending should lead to increased innovations and economic dynamism in Maryland's economy. But whether this program is reviewed on a one-year, ten-year, or even a thirty-year scale will lead to different impacts. Evaluating programs by looking at the same timeframe, whether one year or ten, frequently fails to accurately capture the intended differences in design and implementation.
- **Program incentives are awarded differently.** Even programs that nominally operate on the same timeline are set up differently and therefore cannot be directly compared. Broadly, grant or loan programs administered by the Department provide companies with assistance up front while many of the Department's tax credit programs provide ongoing assistance to a company each year. As an example, consider a hypothetical loan and tax credit, each designed to support 10 new Maryland jobs over five years at a total cost of \$1,000. The loan would provide the money up front to the company while the



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tax credit may provide \$200 each year to the company. Comparing a one-year return on investment would artificially make the tax credit program appear ‘better,’ as the 10 jobs are generated for a one-year cost of \$200 instead of \$1,000. However, this difference is purely due to how the funds are awarded and not due to the effectiveness of the program.

- **Not all programs report the same data.** Collecting data from incentive recipients requires a difficult balance between requiring more company-provided data and reducing the administrative burden for companies. Company-reported data also requires security measures that are adequate to protect confidential data and adequate staff resources to collect and process the data. Therefore, while many programs administered by the Department require that data on created or retained jobs be collected, other programs do not.
- **Some impacts must be estimated.** For programs where companies are not required to report jobs impacts, the Department estimates job impacts based on the size of the assistance and standard multipliers within IMPLAN, an input-output software used to model economic impacts. Wages and ripple effects for all programs are estimated using IMPLAN. Although IMPLAN is considered the industry standard, standard multipliers may not reflect what is actually happening at companies that receive assistance from the Department. Given the relationship in job impacts based on company-reported data and in IMPLAN estimates, the Department notes that estimated data is more likely to be a highly conservative estimate of the ‘true’ impacts of the program. State tax revenues are also estimated using IMPLAN estimates of industry-level wage impacts and data on income and sales tax collection within Maryland. Differing amounts of estimated data, as well as the limitations associated with using estimated data, are another factor complicating analysis of programs administered by the Department.
- **Some impacts are not estimated due to reporting difficulties.** While the Department makes its best faith effort to calculate impacts and report them in a standard way consistent with Economic Development Article §2.5-109, some impacts cannot be fully captured. For example, State tax revenue impacts in this report capture income and sales taxes. These are not the only revenue streams impacted by the assistance programs in this report. For example, changes in corporate taxes or property taxes are not measured. The revenue streams measured in this report are those the Department feels can be estimated most accurately. Additionally, several tax credits reported on in this report are intended to promote long-term growth of key sectors, such as cybersecurity or biotechnology. This report cannot accurately gauge the potential change in an industry’s concentration in Maryland as a result of any one company receiving a tax credit. Therefore, while the impacts on the future growth of a sector due to tax credits are likely non-zero, they are not estimated in this report.

A more rigorous evaluation would attempt to evaluate the incentives according to their stated legislative intent. Using jobs, wages and investment provides one common metric for



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comparison of programs. Connecting the outcomes of each program to the Department's legislative objectives as set forth in Economic Development Article §2.5–105 is another.